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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 43243

Washington, DC  
FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2007 AND ENDING 12/31/2007  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**Richter, Larry Lee DBA Financial Advantage Company**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**423 Lazy Bluff**

(No. and Street)

**San Antonio, TX 78216-1617**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Larry Richter 1-210-490-8877**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Marcus Fairall Bristol + Co., L.L.P.**

(Name - if individual, state last, first, middle name)

**6090 Surety Drive, Suite 100, El Paso, TX 79905**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**

**MAR 19 2008**

**THOMSON  
FINANCIAL**

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

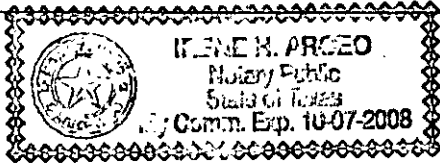
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3/19/08

# OATH OR AFFIRMATION

I, Larry Lee Richter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Richter, Larry Lee DBA Financial Advantage Company, as of 31 December 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

**NONE**



Larry Richter  
Signature

**Registered Principal**

Title

Irene H. Arceo  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY

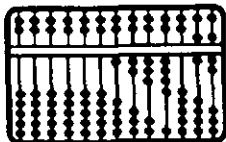
STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2007 AND 2006

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY

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**MARCUS,  
FAIRALL,  
BRISTOL + CO., L.L.P.**

INDEPENDENT AUDITOR'S REPORT

To Richter, Larry Lee  
dba: Financial Advantage Company

We have audited the accompanying statements of financial condition of Richter, Larry Lee, dba Financial Advantage Company, (a proprietorship) as of December 31, 2007 and 2006 and the related statement of income, changes in proprietor's capital and cash flows for the years then ended. These financial statements are the responsibility of the proprietor. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richter, Larry Lee, dba The Financial Advantage Company, as of December 31, 2007 and 2006, and the results of the operations and the cash flows for the years then ended in conformity with generally accepted accounting principles accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The supporting information included in the report (shown on page 13) is presented for the purposes of additional analysis and are not a required part of the basic financial statements of Richter, Larry Lee, dba Financial Advantage Company. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with SEC Rule 17a-5 for a broker-dealer claiming an exemption from SEC Rule 15c3-3 for internal control structure, we have also issued a report dated January 31, 2008, on our consideration of The Financial Advantage Company's internal controls.

*Marcus, Fairall, Bristol + Co. LLP*

El Paso, Texas  
January 31, 2008

A Firm of Certified Public Accountants  
6090 SURETY, SUITE 100 • EL PASO, TX 79905 • (915) 775-1040  
FACSIMILE: (915) 775-1849 • [marcfair@marcfair.com](mailto:marcfair@marcfair.com)

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31,

ASSETS

	<u>2007</u>	<u>2006</u>
Cash/Cash Equivalents		
Cash in Bank	\$ 28,712	\$ 40,744
Money Market Account (Note 3)	<u>9,460</u>	<u>9,212</u>
Total Cash/Cash Equivalents	38,172	49,956
Property, Furniture and Equipment		
Net of Accumulated Depreciation (Note 4)	7,541	8,165
Other Assets		
Supplies Inventory (Note 5)	<u>300</u>	<u>300</u>
TOTAL ASSETS	\$ <u>46,013</u>	\$ <u>58,421</u>

LIABILITIES AND PROPRIETOR'S CAPITAL

Payroll Taxes Payable	\$ 593	\$ 596
Other Payable (Note 3)	4,480	4,480
Proprietor's Capital	<u>40,940</u>	<u>53,345</u>
TOTAL LIABILITIES AND PROPRIETOR'S CAPITAL	\$ <u>46,013</u>	\$ <u>58,421</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
STATEMENTS OF INCOME FOR THE YEARS ENDED  
DECEMBER 31,

REVENUES

	<u>2007</u>	<u>2006</u>
Commissions:		
Insurance and Timing Commissions	\$ 88,939	\$ 93,984
Securities Commissions	77,523	93,814
Other Revenue	<u>246</u>	<u>239</u>
 TOTAL REVENUES	 <u>166,708</u>	 <u>188,037</u>

EXPENSES

Salaries	30,000	30,000
Depreciation	624	631
Other Expenses (Schedule 1)	<u>32,175</u>	<u>32,573</u>
 TOTAL EXPENSES	 <u>62,799</u>	 <u>63,204</u>
 NET OPERATING INCOME	 103,909	 124,833
 OTHER INCOME		
Prior Year Regulatory Refund	<u></u>	<u>332</u>
 NET INCOME	 \$ <u>103,909</u>	 \$ <u>125,165</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE  
 dba FINANCIAL ADVANTAGE COMPANY  
 STATEMENTS OF CHANGES IN PROPRIETOR'S CAPITAL  
 FOR THE YEARS ENDED DECEMBER 31,

	<u>2007</u>	<u>2006</u>
BEGINNING BALANCE	\$ 53,345	\$ 28,481
Add:		
Net Income	<u>103,909</u>	<u>125,165</u>
	157,254	153,646
Deduct:		
Withdrawals	<u>116,314</u>	<u>100,301</u>
ENDING BALANCE	\$ <u>40,940</u>	\$ <u>53,345</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
 OF THESE FINANCIAL STATEMENTS



RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Net Income	\$ 103,909	\$ 125,165
Adjustments to Net Income:		
Depreciation	624	631
Decrease in Payroll Taxes Payable	<u>(3)</u>	<u>(2)</u>
Net Cash Provided by Operating Activities	<u>104,530</u>	<u>125,794</u>
Cash Flows from Investing Activities		
Equipment Purchased	<u></u>	<u>(487)</u>
Cash Used by Investing Activities	<u></u>	<u>(487)</u>
Cash Flows from Financing Activities		
Cash Paid to Proprietor	<u>(116,314)</u>	<u>(100,301)</u>
Net Cash Used by Financing Activities	<u>(116,314)</u>	<u>(100,301)</u>
Net Increase (decrease) in Cash	(11,784)	25,006
Cash and Cash Equivalents at Beginning of Year	<u>49,956</u>	<u>24,950</u>
Cash and Cash Equivalents at End of Year	\$ <u>38,172</u>	\$ <u>49,956</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
COMPUTATION OF NET CAPITAL  
DECEMBER 31,

	<u>2007</u>	<u>2006</u>
Total Proprietor's Capital from Statement of Financial Condition	\$ 40,940	\$ 53,345
Deduct Non-Allowable Assets	<u>7,841</u>	<u>8,465</u>
Net Capital before Haircuts on Security Positions	33,099	44,880
Haircuts on Securities – Other	<u>1,419</u>	<u>1,382</u>
NET CAPITAL	\$ <u>31,680</u>	\$ <u>43,498</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS  
DECEMBER 31,

	<u>2007</u>	<u>2006</u>
Minimum Dollar Net Capital Requirements of Reporting Broker or Dealer (Note 6)	\$ <u>5,000</u>	\$ <u>5,000</u>
Excess of Net Capital		
Net Capital	\$ 31,680	\$ 43,498
Less: Minimum Dollar Requirement Excess Net Capital	<u>5,000</u>	<u>5,000</u>
EXCESS NET CAPITAL	\$ <u>26,680</u>	\$ <u>38,498</u>
EXCESS NET CAPITAL AT 100%	\$ <u>31,680</u>	\$ <u>43,498</u>

NOTE: There were no material differences between the computation above and the unaudited Part III focus report submitted for the year-ended December 31, 2007.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
SCHEDULE FOR AGGREGATE INDEBTEDNESS COMPUTATION  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

SEE NOTE 2

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS:

The proprietor was licensed as a NASD broker-dealer on March 5, 1991.

This summary of significant accompanying policies of Richter, Larry Lee dba Financial Advantage Company is presented to assist in understanding the financial statements. The financial statements and notes are representations of the owner, who is responsible for their integrity and objectivity.

ACCOUNTING BASIS:

The books and records of the Company are kept on the accrual basis for financial reporting and income tax purposes.

PROPERTY, FURNITURE AND EQUIPMENT:

Property and equipment are stated at cost. Betterments and major renewals are capitalized and included in the property and equipment accounts while expenditures for maintenance and repairs and minor renewals are charged to expense.

REVENUE RECOGNITION:

Revenue is recognized as insurance and security commissions are received. Timing fees are recognized when the service is rendered. This is a consulting service performed by Mr. Richter.

INCOME TAXES:

The proprietorship is not a taxpaying entity for purposes of federal income taxes, and thus no income taxes have been recorded in the statements. Income from the proprietorship is combined with the income and expenses of the proprietor from other sources and reported in the proprietor's individual federal income tax returns. The proprietor customarily makes estimated tax payments toward his personal income tax liability from his personal bank account.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

NOTE 2 – SUPPLEMENTAL INFORMATION IN ACCORDANCE WITH ERG 17A-5 OF THE REGULATIONS UNDER SECURDITY EXCHANGE ACT OF 1934

Richter, Larry Lee, dba Financial Advantage Company does not receive, acquire, or hold funds or securities for customers or margin for customers and therefore the provisions of rule 15C 3-3 are not applicable to Financial Advantage Company. Therefore, an independent review of the Company's treatment of such transactions is not required.

NOTE 3 – CONTINGENCIES

An administrative proceeding was initiated by the Commissioner of Securities of the Secretary of State of Georgia that resulted in a civil penalty of \$4,480 that was imposed against Larry Richter. The imposition of the civil penalty is being challenged by Mr. Richter in a legal proceeding that is still pending and has not yet been finally determined. In the event that Mr. Richter's appeal of the administrative penalty is unsuccessful, the maximum potential liability is \$4,480, which has been accrued in the financial statements.

The money market account was transferred into a variable annuity on November 16, 2000, with an additional \$1,000. The value of the annuity on the last business day of December 2007 and 2006, were \$9,460 and \$9,212, respectively, which was confirmed. The primary beneficiary of the annuity is The Financial Advantage Company. The following hair cut requirements and non-allowable cost percentages for variable annuities in the computation of net capital are as follows:

15% required haircut for non-allowable cost	\$	1,419
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The non-allowable costs amounted to \$1,419 at December 31, 2007 and \$1,382 at December 31, 2006.

RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

NOTE 4 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Estimated Useful Life</u>
Office Furniture	\$ 4,107	\$ 4,107	10 Yr.
Office Equipment	23,427	21,332	5 - 7 Yr.
Office Improvements	4,184	781	39 Yr.
Automobile	21,314	21,314	5 Yr.
Professional Books	2,000		
Total	\$ <u>55,032</u>	\$ <u>47,534</u>	

Depreciation charges to income was \$624 for the year ended December 31, 2007, and \$631 for the year ended December 31, 2006.

NOTE 5 - SUPPLIES INVENTORY

Supplies inventory is carried at cost.

NOTE 6 - EXCEPTIVE PROVISION UNDER RULE 15C 3-3

Under the exceptive provision of rule 15C 3-3 (K) (1)(ii) the Company's capital categories has an exception of \$5,000 for the year-ended December 31, 2007. There were no material inadequacies.

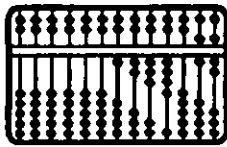
**SUPPORTING SCHEDULE**



RICHTER, LARRY LEE  
dba FINANCIAL ADVANTAGE COMPANY  
OTHER EXPENSES  
DECEMBER 31,

	<u>2007</u>	<u>2006</u>
Advertising	\$	\$ 104
Audit Fees	1,868	1,770
Dues and Publications	1,206	938
Printing	45	20
Insurance	5,712	7,008
Computer Expense	100	132
Supply Expense	4,462	5,090
Payroll Taxes	2,296	2,296
Education Expense	1,526	270
Meals and Entertainment		32
Telephone Expense	2,733	2,687
License and Fees	2,015	1,610
Gift Expense	247	173
Postage	2,511	2,393
Repairs	383	519
Travel	4,667	5,225
Freight	217	733
Miscellaneous	135	145
Administrative Service Fees		60
Contract Labor	1,150	250
Legal Fees		432
Liability Insurance	686	686
Electronic Recordkeeping	216	
	\$ <u>32,175</u>	\$ <u>32,573</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS



**MARCUS,  
FAIRALL,  
BRISTOL + CO., L.L.P.**

Larry L. Richter  
Richer, Larry Lee DBA Financial Advantage Company

In planning and performing our audit of the financial condition and supplemental schedules of Richter, Larry Lee DBA Financial Advantage Company (the Company), as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control structure and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any

evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Marcus, Fairall, Bristol + Co. LLP*

Marcus, Fairall, Bristol + Co., L.L.P.  
El Paso, Texas

January 31, 2008

END